

Electric
Gas
Telecommunications
Water
for the Future."

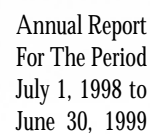


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LETTER TO THE GOVERNOR, MEMBERS OF THE SENATE, AND
MEMBERS OF THE HOUSE OF REPRESENTATIVES

February 1, 2000

The Honorable Don Sundquist
Governor, State of Tennessee

The Honorable John S. Wilder
Lt. Governor

The Honorable Jimmy Naifeh
Speaker of the House of Representatives

Members of the General Assembly

It is a pleasure to present you the Annual Report of the Tennessee Regulatory Authority for Fiscal Year 1998-99. This report has been prepared in accordance with Tennessee Code Annotated § 65-1-211.

Within this report you will find highlights of the activities in which the TRA has been engaged during this past fiscal year. You will be able to review a budget summary, a breakdown of the accomplishments of each division and an abstract of the minutes of all TRA Directors' Conferences for the fiscal year.

The TRA is successfully managing the increased caseload resulting from passage of both the Tennessee Telecommunications Act of 1995, (Public Chapter 408) and the United States Telecommunications Act of 1996, while continuing to provide consumer services and ensuring the safety of Tennessee's natural gas distribution system.

At the present time there are 44 certified competing local exchange carriers in Tennessee. These companies are serving 4% of the total lines available to competitors and 14% of the business lines available to competitors. Fostering competition in the telecommunications industry will continue to be the hallmark of the TRA.

As we enter the second half of fiscal year 1999-00, we look forward to the many challenges that will arise. We also look forward to another year of support and encouragement from you.

We have endeavored to make this report thorough, informative and easily understood. If you have any questions or would like additional information, please feel free to contact us.

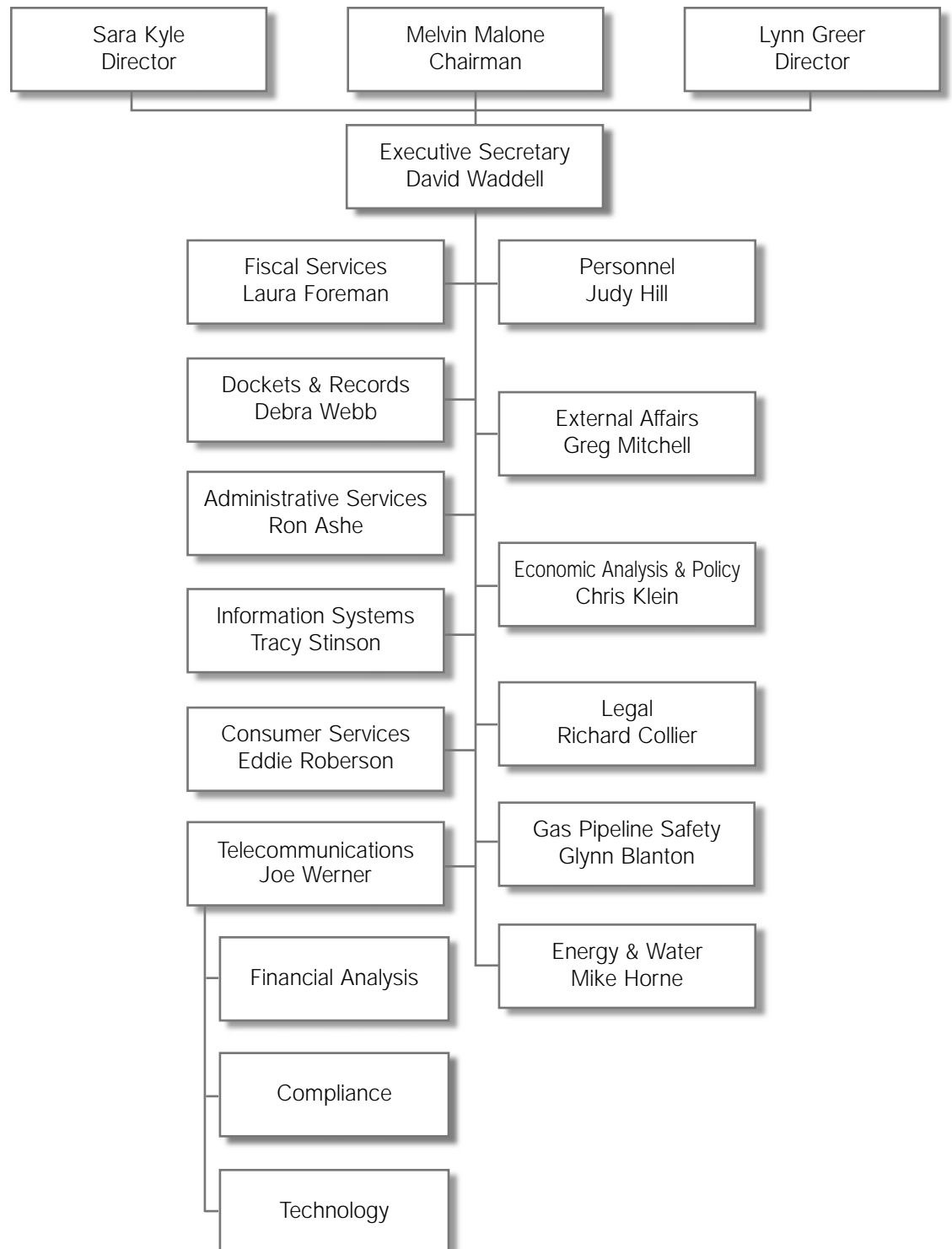
Respectfully submitted,

Melvin Malone, Chairman
Lynn Greer, Director
Sara Kyle, Director



In 1995, the General Assembly passed legislation to create the Tennessee Regulatory Authority (Authority), a governing body to regulate utilities in the state of Tennessee. The Authority's mission is to promote the public interest by balancing the interests of utility consumers and providers while facilitating the transition to a more competitive environment.

Leadership for the Authority is comprised of three Directors, each of whom is appointed to serve a six-year term. Chairman Melvin Malone was appointed by Lieutenant Governor John Wilder; Director Lynn Greer was appointed by Governor Don Sundquist; and Director Sara Kyle was appointed by Speaker Jimmy Naifeh. Every two years the Directors themselves elect a chairperson.



The Authority has jurisdiction over public utilities including:

electric companies,
telephone companies,
water companies, and
natural gas companies

Pursuant to T.C.A. § 65-4-104, statutory responsibilities include making rules for utility operations, utility rates, and regulating gas safety standards. Quasi-judicial powers allow the Authority to decide the granting of operating authority and to adjudicate conflicts and controversies arising from utility operations.

Financially independent of the General Fund, the Authority's operational expenses are covered wholly by the industries it regulates, with a small portion coming from the federal government.

As of June 30, 1999, the Authority was budgeted for 71 positions. The Divisions are as follows:

Director's Offices (3)	9 staff members
Executive Secretary	12 staff members
Consumer Services	11 staff members
Energy & Water	5 staff members
Gas Pipeline Safety	6 staff members
Information Systems	4 staff members
Legal	6 staff members
Telecommunications	14 staff members
Economic Analysis & Policy	4 staff members
	<hr/>
	71 staff members

Staff of the Authority includes accountants, administrators, attorneys, consumer specialists, economists, engineers, information systems and computer specialists, a media specialist, and office support.

UTILITIES UNDER THE AUTHORITY'S JURISDICTION

The utilities subject to the jurisdiction of the Tennessee Regulatory Authority, as of June 30, 1999, are listed by approximate number and general classification:

Electric (3)			3
Incumbent Telephone Companies (18)	Interexchange Carriers (IXCs) (4)	Competing Telephone Service Providers (44)	66
Resellers and Operator Service Providers (415)	Customer Owned-Coin Operated Telephones (458)	Local Service Resellers (72)	945
Misc. Master Meters (2)	Water & Sewerage (11)	Natural Gas Companies (6)	19
Utility Districts (21)* Mobile Home Parks (5)	Municipalities (72)* Apartments (17)*	Housing Authorities (42)* Direct Sales (21)*	135 43
Intrastate Transmission (5)*	LNG Operators (3)*		8
		PUBLIC UTILITIES TOTAL	1,219

* These companies are regulated by the Authority only to ensure compliance with Minimum Federal Safety Standards for the transmission of natural gas.



K. David Waddell
Executive Secretary

MISSION: *To coordinate the activities of the Authority and ensure that matters brought before it are handled in a fair and impartial manner, always moving toward improving services to the people served by the authority.*

The Executive Secretary, in accordance with T.C.A. § 65- 1-209, serves as the chief administrative officer of the Authority with the power and duty to conduct ordinary and necessary business in the name of the Authority. The specific duties of the Executive Secretary include:

- ◆ Subject to review by the Directors, employ and provide general supervision for such personnel as may be required to effect the purpose of the Authority;
- ◆ Serve as custodian of the Authority's official records by keeping a full and accurate record of all the proceedings and transactions of the Authority;
- ◆ Prepare annual budget;
- ◆ Supervise the expenditure of funds and compliance with all applicable provisions of state and federal law in receipt and disbursement of funds;
- ◆ Recommend to the Directors such rules and policies as are necessary and appropriate to efficiently and economically provide for the internal management of the Authority;
- ◆ Administer, monitor and review the operating procedures of each division of the Authority;
- ◆ Ensure that each division of the Authority fully executes in an efficient manner the separate duties and responsibilities assigned to each;
- ◆ Coordinate and expedite matters pending before the Authority.
- ◆ Prepare and distribute Directors' Conference Agendas.
- ◆ Schedule hearings;

In order to carry out these responsibilities, the Executive Secretary's office is divided into four areas: Dockets and Records, Personnel Office, Public Information, Fiscal and Administrative.

The **Dockets and Records Section**, under the direction of Debra Webb, has the following responsibilities:

- ◆ Process all filings by regulated companies and other parties;
- ◆ Maintain lists of all pending dockets;
- ◆ Arrange transcription of hearings;
- ◆ Maintain permanent records of all hearings; and

The **Personnel Office**, under the direction of Judy Hill, performs all functions relating to human resource management including:

- ◆ Maintain personnel records;
- ◆ Coordinate training for Authority staff;
- ◆ Implement affirmative action plans;
- ◆ Coordinate insurance and retirement matters; and
- ◆ Prepare payroll.
- ◆ Arrange transcription of hearings;

The **Office of External Affairs**, under the direction of Greg Mitchell, performs the following functions:

- ◆ Write press releases regarding actions taken by the Authority;
- ◆ Prepare Authority reporting materials for the General Assembly;
- ◆ Publish a quarterly newsletter;
- ◆ Promote Authority website development;
- ◆ Coordinates Speaking Engagements;
- ◆ Monitors and maintains legislative relations;
- ◆ Develops and maintains the Authority's public awareness efforts.

The **Fiscal Office**, under the direction of Laura Foreman, performs the following functions:

- ◆ Supervises accounts payable/receivable;
- ◆ Oversees the agency's procurement functions;
- ◆ Audit and control expenditures;
- ◆ Maintain all fiscal reports for security purposes.
- ◆ Collect and deposit receipts.

BUDGET SUMMARY APPROPRIATIONS, FEES AND EXPENSES

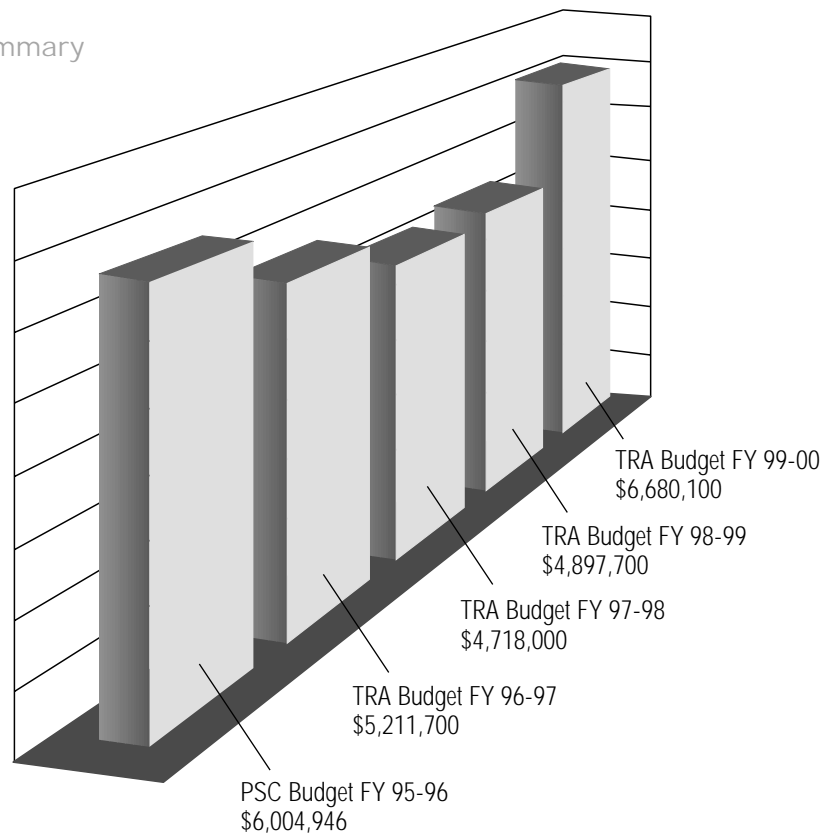
The TRA began fiscal year 1998-1999 (FY99) with a budget of \$4,897,700 which was a 3.8% increase over the FY98 budget of \$4,718,000. While actual expenditures increased 4.6% from \$4,449,578 to \$4,653,800 for the same period, the revenues received for the period increased 12.2% from \$4,957,978 to \$5,560,781.

The majority of the revenues collected by the TRA are derived from utility inspection fees. These inspection fees are based on annual gross intrastate revenues and are paid by the public utilities to defray the cost of regulation by the TRA. Since the inception of the TRA on July 1, 1996, inspection fees have increased an average of 8.6% annually. During FY99 \$4,150,516 of the total revenue received was from inspection fees. In addition to the inspection fee revenue, the TRA received \$277,134 in federal revenue, \$1,609 in Departmental revenues, and \$131,521 in fines and penalties. All of these funds are deposited in the Public Utilities Account.

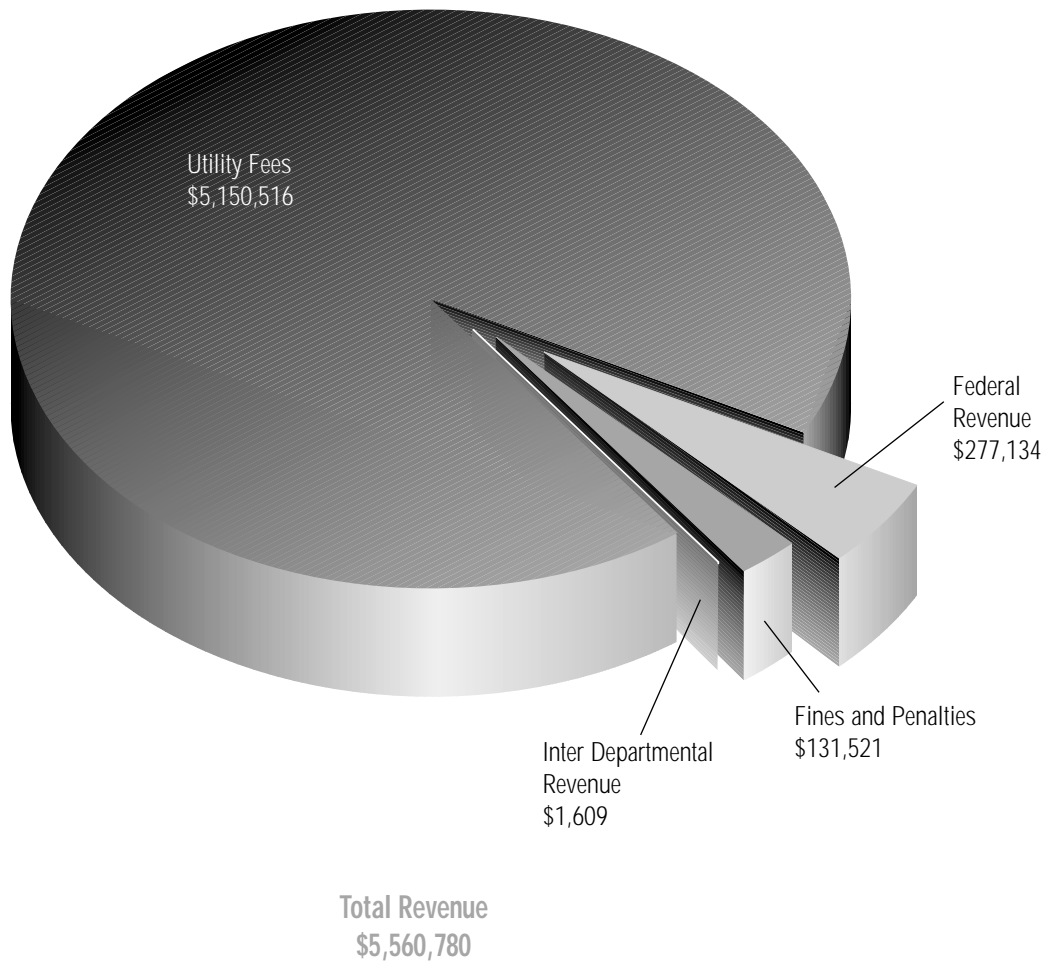
The budget for FY00 is \$6,680,100. Twenty-one percent (21%), or \$1,415,200, of the current year budget is attributable to three (3) new programs which the legislature has placed with the TRA. These programs are the Universal Service Fund for the telecommunications industry, the assistive telecommunications device distribution program for the hearing impaired, and the "Do Not Call" program to prevent unwanted telephone solicitation from telemarketers.

The Authority is financially sound and is able to operate efficiently and productively within anticipated revenues.

Budget Summary



REVENUE OF TRA
FY 99



ABSTRACT OF MINUTES

The Abstract of Minutes of the Authority submitted hereafter covers the period from July 1, 1998 to June 30, 1999.

The minutes of the Authority are kept on permanent file in the office of the Executive Secretary. These are available to the public for inspection at all times. In addition to paper files, the TRA maintains an electronic file room on its web page (www.state.tn.us/tra). All documents filed since 1-1-99 are available for viewing and printing. The Official Minutes show every action taken by the Authority. The Abstract of Minutes is recorded in permanent bound volumes and prepared in a manner permitting immediate reference to the actions of the Authority. The following data is submitted in connection with each item of business:

- ◆ Docket Number
- ◆ Name of Applicant/Petitioner
- ◆ Subject Matter of Application/Petitioner
- ◆ Date of Final Order
- ◆ Summary of Authority's Action



ABSTRACT OF MINUTES (cont.)

An abstract or condensation of the Minutes is as follows:

VOLUME OF PROCEEDINGS BEFORE THE AUTHORITY FOR FISCAL YEARS 1997, 1998 and 1999

	FY 1997	FY 1998	FY 1999
Total Number of Filings	375	702	1,454
Tariffs Reviewed	316	444	438
Interconnection and Resale	42	69	81
Agreements Filed			
COCOT Registrations	150	527	48
COCOT Authorities Issued	62	62	48
Reseller Certificates Approved	78	91	134
Number of Directors' Conferences	27	25	26
Hearings	60	86	53
Hearing Days	35	100	55
Final Orders Issued	174	212	445
Orders on Appeal	5	6	6



Eddie Roberson
Chief

MISSION: *To ensure consumers receive satisfactory services from regulated public utility companies by conducting quality of service tests, mediating consumer-utility disputes and enforcing the Authority's rules and regulations.*

The Consumer Services Division ("CSD") is responsible for monitoring the quality of services provided by regulated utilities and enforcing the rules and regulations of the Authority. Additionally, the CSD is responsible for implementing the state "Do Not Call" telemarketing program pursuant to Chapter 478 of the Public Acts of 1999 and the Telecommunications Equipment Distribution Program for the hearing, speech and visually impaired pursuant to Chapter 417 of the Public Acts of 1999. One of the major aspects of the CSD is to investigate and mediate consumer complaints against regulated utilities pursuant to T.C.A. § 65-4-119. The CSD also acts as the consumer outreach office for the Authority and is responsible for the development and implementation of programs designed to educate the public on utility issues.

The CSD conducts service hearings, community meetings, utility service audits, offers testimony at utility proceedings and recommends enforcement action on utilities not complying with state law or the rules and regulations of the Authority. The CSD also monitors the operation of the Tennessee Relay Center for the hearing, speech and visually impaired.

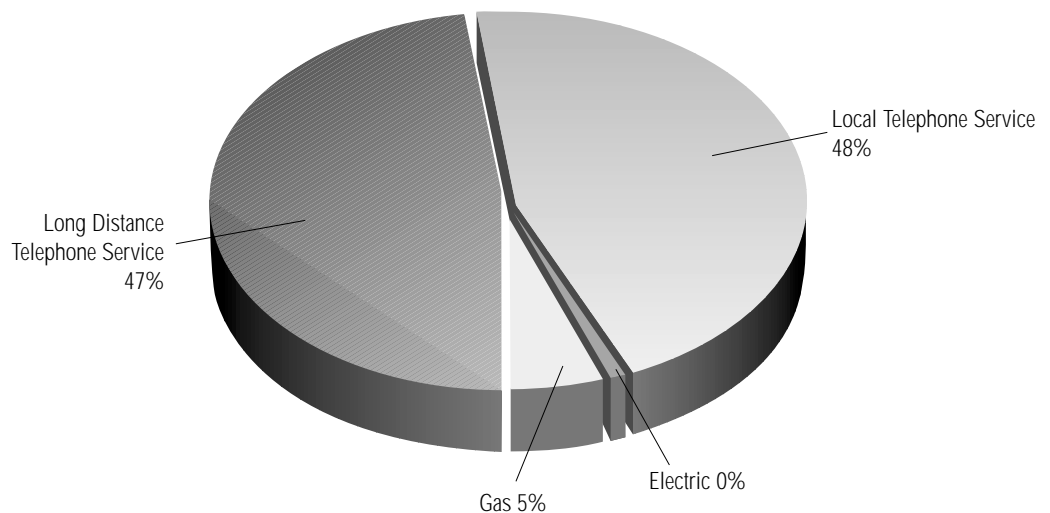
The CSD staff consists of a Chief, a Deputy Chief, four Program Administrators, two Administrative Secretaries and five Consumer Specialists.

1999 Major Activities

- ♦ Investigated 2,830 consumer complaints against utility companies.
- ♦ Assisted in getting refunds of \$212,992 to consumers as a result of investigations.
- ♦ Investigated telecommunications companies for violation of TRA Rules and Regulations. These investigations led to settlements where the companies agreed to pay \$30,000 in fines and penalties to the state in addition to \$25,000 in refunds to consumers. One investigation led to the TRA revoking the authority of Minimum Rate Pricing (MRP) to operate in the state. MRP was found in violation of the TRA Slamming Rules.
- ♦ Investigated 392 complaints against long distance telephone companies for switching a consumer's long distance service without authorization (sometimes referred to as "Slamming"). A total of \$49,627 was refunded to consumers from long distance companies found in violation of the Authority's rules and regulations.
- ♦ In 1998, 4,061 recipients saved \$81,220 utilizing the Link-up Tennessee program. This represented a seventy-four (74) percent increase in the number of Tennesseans benefiting from this service.

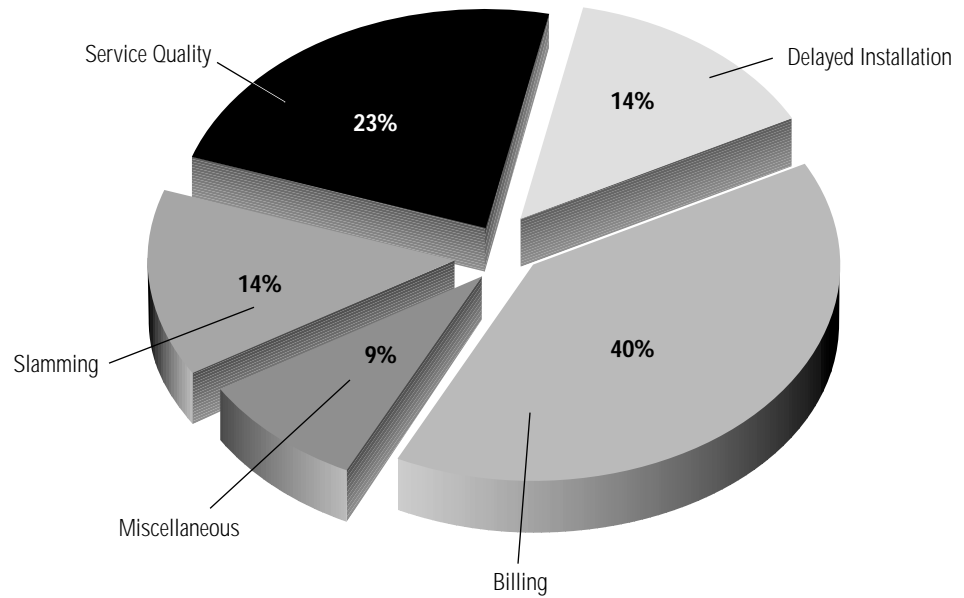
- ♦ Administered the Lifeline Telephone Assistance Program. This program is designed to ensure that all Tennesseans have access to affordable telephone service. Approximately 23,784 Tennesseans signed up for this reduced rate telephone service and saved approximately \$2,996,784 on their telephone bills. This represented a ten (10) percent increase from 1997.
- ♦ Review the operations of the Tennessee Relay Center ("TRC) to ensure the Center complies with the Authority's rules and regulations. The TRC is a service designed to assist the hearing impaired with telephone calls. The TRC's total volume for the fiscal year was 846,667. That is an increase of 2,100 calls over last year's total.
- ♦ Conducted 71 field inspections of public pay telephones. These tests are conducted to ensure compliance with the Authority's rules and regulations.
- ♦ Conducted telephone central office quality of service tests in 7 telephone exchanges. These tests electronically measure the accuracy of long distance toll timing and network blockages.
- ♦ Began implementing the Tennessee "Do Not Call" Program (T.C.A. 65-4-401). Administrative Rules have been promulgated and operational procedures established. The new program becomes effective on July 1, 2000.
- ♦ Began implementing the Tennessee Assistive Telephone Device Distribution Program. The program was authorized by T.C.A. 65-21-115. The program will provide telecommunications equipment to the state's deaf, blind, and hearing-impaired population. Administrative rules have been promulgated and operational procedures established. This program was initiated on January 1, 2000, pursuant to state law.

Categories of Complaints by Utility
1998 Total Complaints Investigated: 2,830

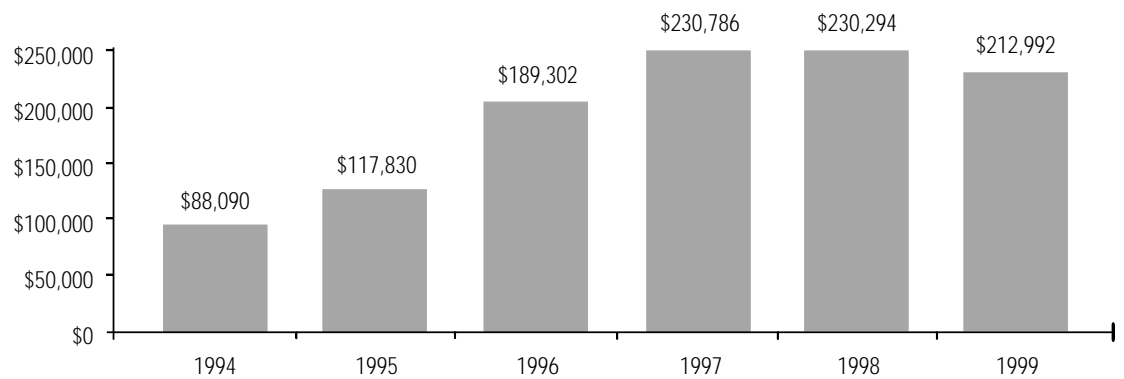


CONSUMER SERVICES DIVISION

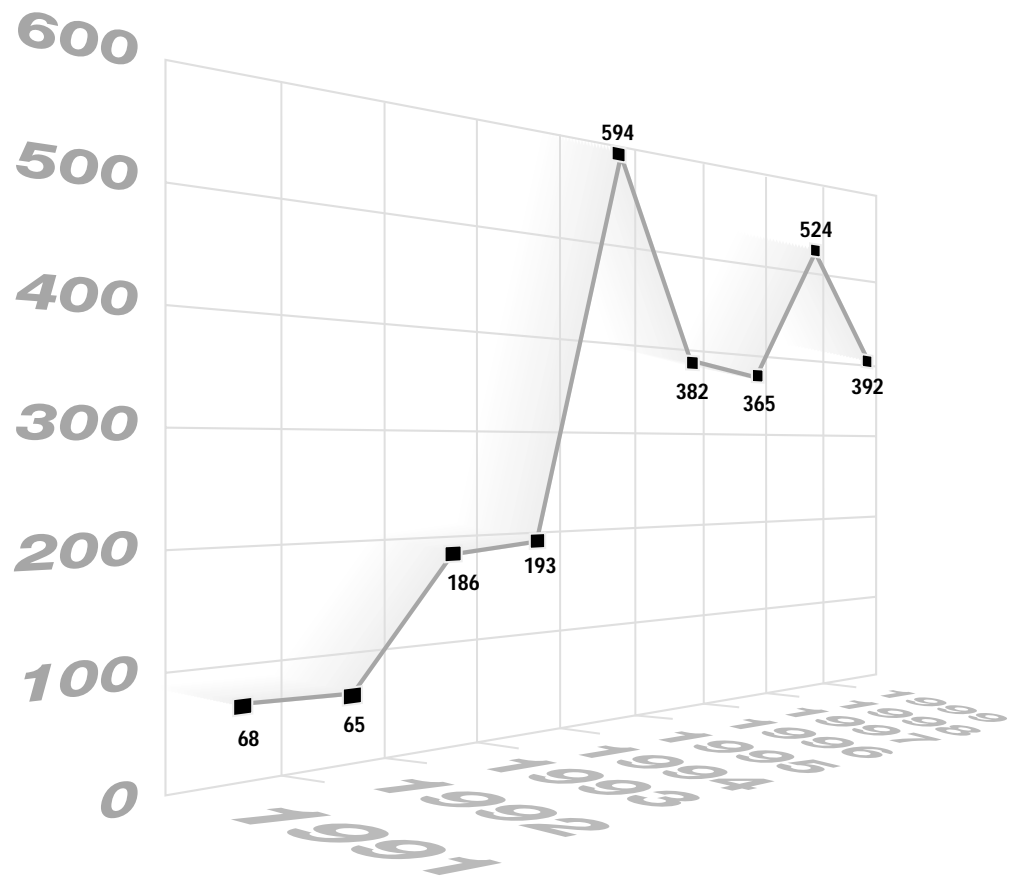
Categories of Telecommunications Complaints



Utility Adjustments to Consumers Resulting from Complaint Investigations



Slamming Complaint History 1991-1999



Christopher C. Klein
Chief

MISSION: *To provide economic research, analysis, and advice to the Directors and staff of the Tennessee Regulatory Authority (TRA).*

At the request of the Directors or staff, the Economic Analysis Division reviews evidence and provides advice in contested cases coming before the Directors for decision. Division staff participated in ninety-seven (97) proceedings before the TRA, including: BellSouth's application for a price regulation plan; United Telephone - Southeast's 1998 annual price regulation filing; a proceeding to set wholesale prices for unbundled elements of the telephone network; and hearings on the establishment of a fund to support the affordability of universal telephone service in Tennessee.

The Division has primary responsibility for reviewing applications for approval of mergers, acquisitions, and the issuance of new financial instruments by public utilities. Division staff reviewed 48 of these applications between July 1, 1998 and June 30, 1999.

The Division also undertakes long term research and manages the student internship program. Each student intern is assigned a research project to complete during one semester of part-time work at the Authority. Two interns' projects were completed during the fiscal year. One examined basic telephone service penetration rates in Tennessee using 1990 census data, while the other analyzed the prices charged to different customer classes by electric power distributors in Tennessee. Two additional projects were initiated prior to the end of the fiscal year. One of these continues the investigation of telephone penetration rates, while the other looks at the prospects for electricity pricing after the introduction of competition.

Other aspects of the research program include the participation of Division staff in professional meetings and the publication of research papers. Division staff participated in the annual meeting of the Southern Economic Association and articles by Division staff appeared in *Energy Economics* and *Tennessee's Business*.

The Division takes the lead in strategic planning for the TRA by identifying likely future changes in the industries under TRA jurisdiction. The Division continues to examine the implications for Tennessee of restructuring of the U. S. electric power industry. This research contributed to the Authority's First Report on Electricity Deregulation in Tennessee, delivered to the General Assembly in January 1999. The Division has similar research ongoing concerning universal telephone service and retail competition in the natural gas industry.

Michael Horne
Chief

MISSION: *The Energy and Water Division is responsible for providing the Authority with technical assistance and financial recommendations on energy and water service issues facing Tennessee. This is to ensure that all regulated services are provided in a safe, reliable, and efficient manner that meets the diverse needs of our citizens, enhances economic development, and strengthens Tennessee's competitive environment.*

DIVISION RESPONSIBILITIES:

Price and Earnings Adjustments

Tennessee Code Annotated sections 65-5-201 through 65-5-209 give the Authority the responsibility of setting or approving the rates and prices charged by public utilities, as defined in Section 65-4-101, operating within the State of Tennessee. The Division assists the Authority in carrying out this responsibility by evaluating periodic rate and price increase requests filed by utilities.

Tariffs

Each utility under TRA jurisdiction is required to submit a schedule of its rates, rules, and regulations in the form of a tariff. These utilities may file revisions from time to time in order to adjust their tariffs. The Division reviewed 19 tariff filings and 45 Purchased Gas Adjustments (PGAs) filings.

Audits

There are four (4) basic types of audits performed by the Energy and Water Division. These audits are: Compliance audits, Actual Cost Adjustment (ACA) audits, Weather Normalization Adjustments (WNA) audits, and Performance Incentive Plans (IPA) audits.

- 1) **Compliance Audits** - These audits are performed to monitor the utility's compliance with applicable laws, orders, and policies of the Authority, as well as utility accounting operations to insure accordance with the Uniform System of Accounts (USOA).
- 2) **ACA Audits** - The Authority's Rule 1220-4-7-.02 permits a gas utility to recover, in a timely fashion, the total cost of gas purchased for delivery to its customers. The Purchased Gas Adjustment (PGA) Rule, which was adopted July 1, 1992, is the mechanism used to accomplish the recovery. It consists of three major components:
 - ◆ Actual Cost Adjustment (ACA)
 - ◆ Gas Charge Adjustment (GCA)
 - ◆ Refund Adjustment (RA)

The ACA is the difference between the revenue billed customers by means of the GCA and actual costs paid to suppliers as reflected in the Deferred Gas Cost account. The rule requires the utility to submit a filing each year detailing the transactions in the Deferred Gas Cost Account. The TRA Staff audits this filing to determine that the utility is following all the rules, regulations, and directives adopted by the Authority. This provides assurance to the Authority that the utility has not over-collected or under-collected gas costs from its customers.

Each year, the Staff conducts ACA audits on the six gas utilities under rate jurisdiction of the TRA: Chattanooga Gas Company, Nashville Gas Company, United Cities Gas Company, Counce Natural Gas, Gasco Distribution Systems, and Red Boiling Springs Gas Utility. During the 1999 fiscal year, the Staff reviewed gas invoices for these utilities totaling approximately \$187.4 million. The Staff also reviewed all adjustments made to the Deferred Gas Cost accounts, the underlying supporting documentation, the calculation of gas cost recoveries and compliance with PGA filings, including ongoing Refund Adjustments, and the calculation of interest on account balances. Sample bills for each month of the audit period to assure that the correct tariff rates and gas cost adjustments were being passed on to the customers. Audit results and recommendations are detailed in an audit report.

- 3) **WNA Audits** - In setting rates, the Tennessee Regulatory Authority uses a normalized level of revenues and expenses for a test year to eliminate unusual fluctuations. One part of normalizing revenues in the test year is the adjustment of weather related sales volumes to reflect "normal" weather, which is calculated based on the previous thirty years' weather data. Since "normal" weather rarely occurs, the customer's bill can fluctuate dramatically due to weather changes from month to month, and gas companies' revenues likewise fluctuate, causing them to earn more or less than their authorized rate of return. In recognition of this fact, the TRA has approved the Weather Normalization Adjustment (WNA) Rider, to be applied to residential and commercial customer bills during the months of November to April each year.

The TRA Staff conducts audits each year of the WNA Rider as it is applied to the three major gas companies: Chattanooga Gas Company, Nashville Gas Company, and United Cities Gas Company. In order to meet the objectives of the audit, the Staff compares the following on a daily basis:

- 1) The company's actual heating degree days to National Oceanic and Atmospheric Administration (NOAA) actual heating degree days;
- 2) The company's normal heating degree days to the normal heating degree days calculated in the last rate case; and
- 3) The company's calculations of the WNA factors to the Staff's calculations.

The Staff also audits a sample of customer bills during the WNA period to verify that the WNA factor has been correctly applied to the bills. Results of the audits and any recommendations are detailed in an audit report.

During the 1999 fiscal year, WNA related revenues for the three gas utilities amounted to \$9.2 million in surcharges. Staff audit findings showed a net additional under-collection of WNA revenues of \$48,029 from the ratepayers of Tennessee.

- 4) **IPA Audits** - The Performance Incentive Plan mechanism was approved by the TRA and is designed to provide incentives to the gas utility in a manner that will produce rewards for its customers and its shareholders, and improvement in the gas procurement activities.

Two of the three major gas companies now have in place Performance Incentive Plans. On August 18, 1998, for Nashville Gas Company and on February 16, 1999, for United Cities Gas Company, the TRA approved permanent performance based ratemaking mechanisms, designed to create an incentive for the company to improve its gas purchasing activities. If the company is able to perform better than the market, as defined by pre-defined benchmarks, both the company and its ratepayers benefit by sharing equally in the savings. Likewise, if the company purchases gas above the pre-defined benchmarks, the Company absorbs half of the costs in excess of an established deadband. The Incentive Plan replaces the after-the-fact reasonableness or prudence reviews of gas purchasing activities as required by the Purchased Gas Adjustment Rule.

Nashville Gas Company and United Cities Gas Company are required to file a report of the shared savings and shared costs in the Incentive Account at the end of each plan year. The Staff audits these filings similar to the audits conducted for the ACA filings.

Miscellaneous Projects

Certificate of Convenience and Necessity (CCN) Applications (6)

CCNs are required by law for each public utility operating in Tennessee. During the 1999 fiscal year, six CCN applications were reviewed by the TRA.

Annual Report Audits (14)

Fourteen energy and water utilities file annual reports with the TRA. These annual reports are audited by the Division staff to ensure the completeness of the financial data in the reports. A five year comparative statistical report is then compiled by the Staff using the information from the five largest companies.

Internal Financial Statements Data Base (312)

The Division receives monthly internal financial statements from the five largest energy and water utilities. The information contained in these financial statements is compiled in a database, which is continuously updated. The database is used to provide historical information when rate cases are filed by these utilities.

Utility Deregulation

During the year, the Division Staff continued to participate and provide responses to the Tennessee General Assembly Study Committee on Electric Utility Deregulation. The committee was charged with the responsibility of studying the issue of electric utility deregulation and its impact on Tennessee customers. A report of findings and comments was filed with the legislature on February 28, 1999.

A new committee on Gas Utility Deregulation has formed to address gas related issues for the Assembly. The Division Staff will participate in the development of the report.

ENERGY & WATER DIVISION

CUSTOMERS SERVED BY ELECTRIC, GAS, AND WATER & SEWER UTILITIES IN TENNESSEE 1998

COMPANY	Residential	Commercial	Industrial	Other	Total	Residential	
						Annual Usage	Annual Bill
GAS UTILITIES:							
Chattanooga Gas Company	45,637	7,428	328	654	54,047	84	\$643.74
Counce Natural Gas	119	30	1	150	58	419.72	
Gasco	275	55	9	-	339	55	441.72
Nashville Gas Company	111,588	15,554	145	-	127,287	76	606.97
United Cities Gas Company	87,818	13,019	374	1,317	102,528	70	591.74
RBS Gas Utility	200	18	1	-	219	18	305.52
WATER/SEWER UTILITIES:							
Aqua Utilities (water & sewer)	90	-	-	-	90	N/A	1,154.61
Antioch Water (water)	242	-	-	-	242	N/A	183.52
Cartwright Creek (sewer)	427	31	-	-	458	N/A	343.45
Foothills Properties (water)	88	-	-	-	88	N/A	417.22
Lynnwood Utilities (sewer)	525	-	-	-	525	N/A	210.92
Newport Utilities (water)	48	-	-	-	48	N/A	297.06
On Site Systems (sewer)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Riveria Utilities (water)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Shiloh Falls Utilities (sewer)	67	-	-	-	67	N/A	216.84
TN American Water Co. (water)	60,634	7,142	160	-	67,936	79	202.47
TN Water Service (water)	446	-	-	-	446	N/A	431.97
ELECTRIC UTILITIES:							
Entergy Arkansas, Inc.	40	3	12	-	55	7,532	771.08
Kentucky Utilities Co.	4	-	1	-	5	24,192	424.25
Kingsport Power Co.	37,878	4,392	192	174	42,636	16,699	830.02

Glynn Blanton
Chief

***MISSION:** To protect the public and environment from accidental release of natural gas or hazardous liquid products by pipeline. This protection is provided by a technologically advanced compliance program that promotes educational standards for industry and contributes to the health and security of the citizens of Tennessee.*

A YEAR IN REVIEW

The Authority retained its Natural Gas Pipeline Safety certification with the United States Department of Transportation Office of Pipeline Safety (OPS) by agreeing to carry out a program to enforce those safety regulations contained in Parts 191, 192, 193 and 199 of the Code of Federal Regulations. This is the third year the Authority has applied for and obtained approval to participate in this program. In the federal government's annual review of our program to insure that federal guidelines, enforcement of safety laws, and state grant regulations are met, a score of ninety-seven was awarded. Three points were deducted due to the agency's failure to obtain state legislation that would improve Tennessee's Underground Damage Prevention law. However, due to the Authority's persisted efforts in the development and amending of the Underground Damage Prevention law, the amendment passed both Houses and was signed into law by Governor Don Sundquist in the latter part of the fiscal year. Gas safety engineers continued to conduct an array of safety, operation, construction, maintenance, and drug and alcohol inspections on all liquefied natural gas facilities and natural gas distribution systems in Tennessee. Forty-four percent of the actual program costs for these activities was provided by OPS in their annual grant-in-aid funding. The remaining fifty-six percent was provided by state pipeline safety user fees. Federal and state funding insured a high level of quality and professional work to meet federal guidelines and industry requirements.

Activities and Accomplishments:

- ◆ Underground damages to utility company facilities continue to be the major cause of natural gas leaks and incidents in the nation. The OPS awarded the Authority, a One-Call grant in the amount of \$26,374 toward helping to reduce damages in Tennessee. The Authority in a sub-recipient contract with Tennessee One-Call System Inc., a non-profit organization who receives calls from all outside parties requesting the utility company to locate its facilities, agreed to investigate and conduct interviews with excavators on the causes of damages to underground facilities. The non-profit organization will also be providing a discounted membership to all new utility companies that join Tennessee One-Call System. A report on the causes of damage to underground facilities and methods of reducing these costs will be released to the Authority in 2000.
- ◆ Tennessee participation in "Dig Safely," a damage prevention pilot program to make the public aware of calling before you dig, was a success. The program, which began in May 1998 and ended in December 1998, showed an eleven-percent increase in calls requesting utilities to locate their facilities, and a six-percent decrease in damages to facilities. Using this measure of risk exposure, the number of pipeline hits per 1000 Tennessee One-Call notifications was 1.21 for 1997 and 0.92 for 1998. This represents a reduction of risk of 23.9% over the Dig Safely Pilot Campaign. The Dig Safely Campaign promotes the use of one-call systems and damage prevention measures beyond

the one-call, and encourages all stakeholders to effectively communicate to ensure excavations can be conducted safely. The key messages in Dig Safely are:

- ◆ Call before you dig.
 - ◆ Wait the required time.
 - ◆ Respect the marks.
 - ◆ Dig with care.
-
- ◆ The Authority had a representative on the *Common Ground: Study of One-Call Systems and Damage Prevention Best Practices*. This study was prepared in accordance with and at the direction and authorization of the Federal Transportation Equity Act for the 21st Century (TEA 21), Public Law 105-178, signed into law on June 9, 1998. The Common Ground Study was performed and written through the efforts of a joint government/industry quality team of over 161 individuals. The product of this team's effort is a report that will be used to improve future underground damage prevention. A copy of the report is available on our web site.
 - ◆ The GPSD, in conjunction with several members of the Tennessee Gas Association (TGA), has been instrumental in developing a written model Operator Qualification plan. This model can be used to help all natural gas operators comply with the proposed federal "Operator Qualification" rule, which will become effective this fall. Once this rule becomes final, all natural gas operators will have eighteen (18) months from the effective date to develop a written qualification program, and thirty-six (36) months from the effective date to qualify all employees performing a covered task.
 - ◆ After granting approval on June 28, 1999, the Authority sent a waiver of compliance to the requirements of 49 CFR 193.2173(b) "water removal rate" for Memphis Light Gas & Water to OPS. OPS under 49 CFR section 60105 requires the granting of a waiver to be reviewed by their agency. On August 10, 1999, the Authority received approval from OPS. This was the first waiver request granted by the Authority and OPS for removal of water in an impoundment basin of a liquefied natural gas facility within a four-hour period. The waiver request will be used by OPS in rewriting their current liquefied natural gas regulations.
 - ◆ The GPSD requested written interpretation from OPS on the jurisdiction of the pipeline operated by U.S. Gypsum Company from Marion County, Tennessee to Jackson County, Alabama. GPSD wants to determine whether the pipeline is classified as interstate gas transmission or intrastate gas transmission pipeline, and which agency, TRA or Office of Pipeline Safety - Southern Region, has the exclusive safety regulatory jurisdiction over the pipeline.
 - ◆ The GPSD is seeking written guidance from OPS regarding jurisdiction of TVA pipelines. Currently TVA is constructing pipelines in Tennessee to service their power plants. The GPSD is attempting to determine which governmental or state agency is responsible for assuring that TVA constructs, operates, and maintains these pipelines in a manner that will continue to provide the high level of natural gas safety the citizens of Tennessee now enjoy.

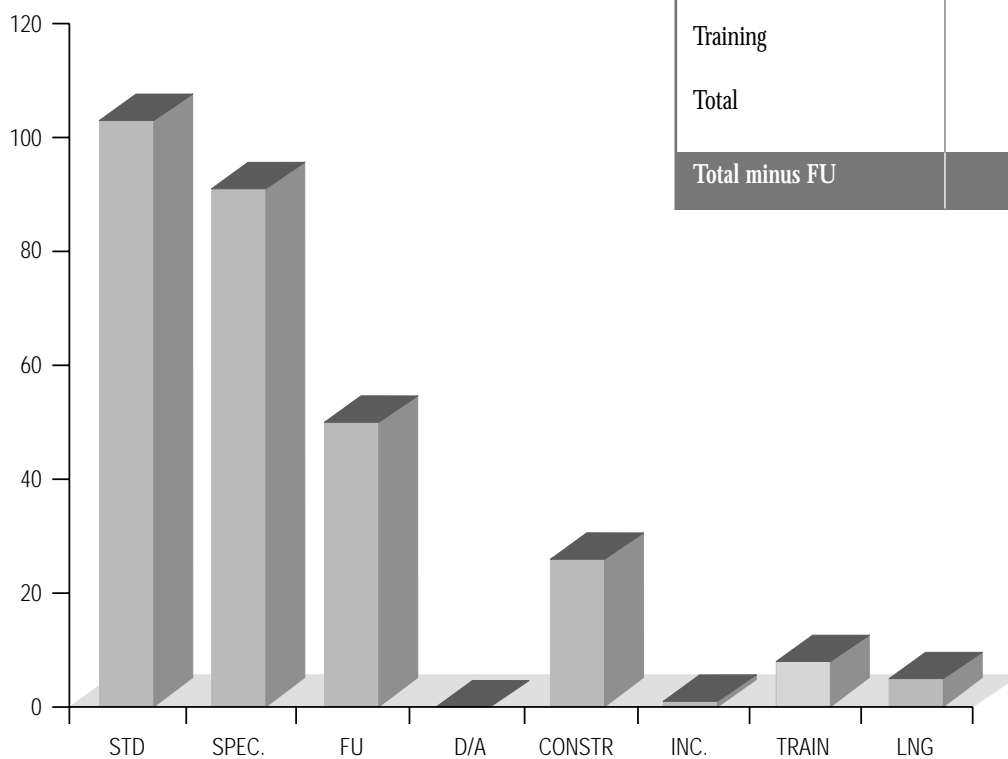
- ◆ Approximately 358 TRA welding cards were issued during the fiscal year. Welding cards are issued by the GPSD to qualified welders who weld on natural gas pipelines. Natural gas pipeline welders are required to be re-qualified annually or every six months depending on the conditions under which they are qualified. The GPSD is responsible for ensuring that all Tennessee natural gas operators are using welders that have been qualified by an established written welding procedure.
- ◆ The GPSD, along with other TRA divisions, conducted two special reports on important issues facing the natural gas industry and Tennessee. The status of electric restructuring in Tennessee and the issues facing our state was reported in the "TRA First Report on Electric Deregulation in Tennessee." The second special report entitled, "The Year 2000: An Interim Status Report on the Preparedness of Regulated Utilities," provided information on the status of utility companies' readiness for the Year 2000. The reports are available on our web site under the TRA Electronic File Room heading.
- ◆ A GPSD representative continues to assist the Federal Transportation Safety Institute (TSI) as an Associate Staff member in training federal and state pipeline safety personnel at the TSI facility in Oklahoma City, Oklahoma. This representative trained over one hundred federal and state personnel.

INSPECTIONS

Two hundred and thirty-four gas safety inspections were performed on local distribution systems in Tennessee. These inspections ensure that all operators are complying with the Minimum Federal Safety Standards (MFSS) by maintaining records, making reports, updating their operations and maintenance plans, and promptly repairing all hazardous leaks. These natural gas distribution operators consist of private companies, municipalities, utility districts, master meter, direct sales, and liquefied natural gas facilities. Staff members conduct several types of inspections to ensure compliance with all sections of the MFSS. No detailed inspections of written drug and alcohol plans were conducted during the fiscal year. However, each operator's drug and alcohol programs are reviewed annually to ensure that testing is being conducted. The chart below shows the numbers and types of inspections conducted from July 1998 to June 1999.

Number of Inspections Performed
July 1998 - June 1999

Inspections by Type



Inspections	
Standard	130
Follow-Up	91
Specialized	50
Drug/Alcohol	0
Construction	26
Incident	1
Training	8
Total	284
Total minus FU	234

Violations cited and closed

The violations cited by staff members against an operator are recorded and filed on an ongoing basis. Each operator receives verbal and written notices of the violations and is given sixty days from their receipt of the written notice to correct any deficiencies that may have warranted a citation. A follow up inspection is scheduled after the sixty day time period to ensure that action is being taken by the operator to correct all violations. Failure to take corrective action on cited violations could subject the operator to civil penalties in accordance with TCA Section 65-28-108. The steady decrease in the number of new violations cited can be attributed to the operator's ability to better comply with the MFSS and the priority given for safety of the transportation and distribution of natural gas. Listed below are the violations cited and closed.

Operator	Violations Cited	* Violations Closed
Private	4	3
Municipal	14	136
Utility District	15	25
Master Meters	15	18
Liquefied Natural Gas	2	0
Intrastate Pipeline	1	0
Totals	51	74

*Several violations previously cited in prior year were closed during the current year.

Civil Penalties

Tennessee Code Annotated section 65-28-108 states, "Any person who violates any provisions of the adopted Minimum Federal Safety Standards is subject to a civil penalty not to exceed ten thousand dollars (\$10,000) for each such violation for each day that such violation persists, except that the maximum civil penalty shall not exceed five hundred thousand dollars (\$500,000) for any continuing series of violations." No civil penalties were levied against natural gas operators for non-compliance action in correcting violations. The action of levying penalties is a method used by the TRA to protect the public and ensure operators are providing safe transportation of natural gas by pipelines.

Natural Gas Incidents

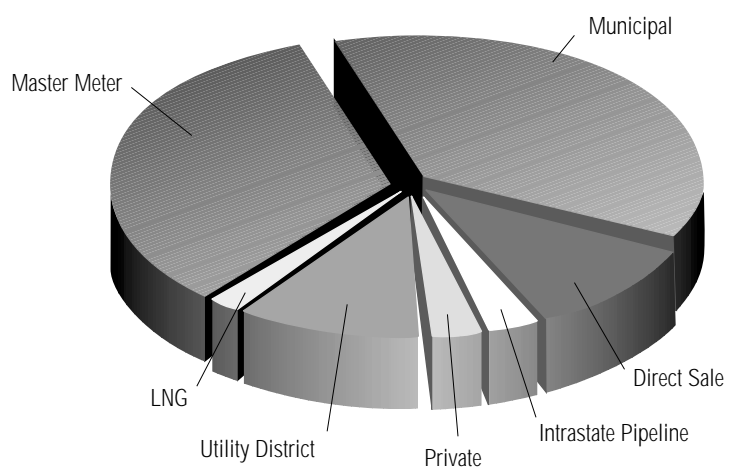
The Minimum Federal Safety Standards section 191.3 defines an incident as any of the following: 1. An event that involves a release of gas from a pipeline or liquefied natural gas or gas from an LNG facility and i) a death, or personal injury necessitating in-patient hospitalization; or ii) estimated property damage, including cost of gas lost, of the operator or others, or both, of \$50,000 or more, 2. An event that results in an emergency shutdown of an LNG facility, 3. An event that is significant, in the judgment of the operator, even though it did not meet the criteria of parts 1 or 2.

One incident was reported to the Gas Pipeline Safety Division in the past fiscal year. This incident involved property damage to several housing units due to the accidental ignition of natural gas. Working around natural gas can be very dangerous. The goal of the Gas Pipeline Safety Division is to enforce the Minimum Federal Safety Regulations that all natural gas operators must follow. Strict adherence to safety regulations and procedures is crucial in helping to prevent the release and subsequent ignition of natural gas.

Types of Operators

Operator Type	Number of each
LNG	4
Master Meter *	60
Municipal	72
Direct Sale	22
Intrastate Pipeline	7
Private	6
Utility District	22
Total	193

* Master Meter systems = Mobile Home Parks, Apartments, and Housing Authorities



Tracy Stinson
Chief of Information Systems

MISSION: *To provide effective and continually improving information management resources and services to the Authority.*

The Information Systems Division's (ISD) goal is to develop and implement systems that will support the Agency's objectives and to effectively and efficiently manage the agency-wide automated information resources. The Information Systems Division's staff consists of an Office Automation Specialist, an Information Resource Specialist II, and an Information Systems Analyst III.

Duties of the Information Systems Section:

- ♦ Plan and coordinate information system resources for the Authority.
- ♦ Develop the three-year Information Systems Plan.
- ♦ Provide LAN resources and administration for 75 plus workstations.
- ♦ Maintain and modify PC based databases and systems as needed.
- ♦ Develop new databases and systems as required.
- ♦ Coordinate information resource training for information systems staff and TRA staff.
- ♦ Maintain mainframe and LAN system security.
- ♦ Maintain Agency hardware/software inventory database.
- ♦ Install and maintain Agency computer hardware.
- ♦ Develop and maintain Agency web site.
- ♦ Develop and maintain security for LAN Internet, and E-mail usage.



Richard Collier
General Counsel

MISSION: *To assist the Directors and staff by providing sound and timely advice during the deliberative process and at Conferences and hearings and to effectively represent the Authority before reviewing courts, the General Assembly and state and federal agencies.*

It is the responsibility of the Legal Division to provide in-house counsel to the Directors of the Authority. Lawyers from the Division also represent the Directors, in their official capacities, in the Court of Appeals, the Tennessee Supreme Court, Chancery Courts, and Federal Courts. The Legal Division may represent the Authority before the Federal Communications Commission and the Federal Energy Regulatory Commission. The General Counsel or his designee may be appointed to sit as a Hearing Officer or Administrative Law Judge. A lawyer from the Division sits on the legislative team and is responsible for bill analysis as requested by the Legislative Fiscal Review Committee. The Legal Division assists in the drafting of rules promulgated by the Authority and prepares orders reflecting the action of Directors in specific cases.

Accomplishments

During the past year the Legal Division assisted the Authority in issuing decisions in the universal service and unbundled network element pricing dockets and regarding BellSouth's application for a price regulation plan. The Authority conducted hearings and issued decisions on United Telephone Southeast's (UTSE) 1998 price regulation case and issued decisions on reciprocal compensation to Internet Service Providers. The Authority also acted on numerous telecommunications carrier interconnection and resale agreements and on applications for certificates of public convenience and necessity filed by competing local exchange telephone companies and gas companies. The Authority opened an investigatory docket looking into the use of contract service arrangements by telecommunications service providers which focuses on termination provisions in those contracts.

In accordance with the passage of new legislation, the Authority promulgated rules to prevent slamming and cramming by telephone companies. With the assistance of the Consumer Service Division, the Legal Division commenced show cause proceedings against telecommunications companies for failure to comply with their tariffs and for violations of Authority rules and Tennessee statutes. The Authority also revoked the certification of a long-distance carrier it found in violation of the Authority's slamming rules. The Authority acted on numerous requests by Competing Local Exchange Carriers (CLECs) and BellSouth for arbitration of interconnection agreements and approved intralata toll dialing parity plans for BellSouth and a large number of CLECs. The Authority also issued an order that requires utilities to report their efforts to become Y2K compliant.

During the past fiscal year over 1308 dockets were opened requiring action by the Authority. Members of the Legal Division provided continuing research, document preparation, and counsel to the Directors in most of these dockets. The Legal Division also assisted the Authority in the issuance of 445 orders in tariff matters and contested cases.

Significant cases for the 1998-99 fiscal year included:

- ♦ Universal Service Generic Contested Case, Phase II
- ♦ BellSouth Petition to Convene a Contested Case Proceeding to Establish "Permanent Prices" for Interconnection and Unbundled Network Elements
- ♦ Decisions on Performance-Based Ratemaking Mechanisms of Atmos Energy Corp. and Nashville Gas Company
- ♦ Appeals from United Telephone Southeast 1996 and 1997 Price Regulation cases
- ♦ FCC's decision and reconsideration of Hyperion of Tennessee's Application to provide telephone service in rural areas of the state
- ♦ Brooks Fiber's Claim for Reciprocal Compensation for ISP traffic (currently before the U.S. District Court, Middle District for Tennessee)
- ♦ Appeal from TRA Decisions in the cases of AT&T and Nextlink v. BellSouth Advertising and Publishing Company (BAPCO) wherein the Authority ordered the placement of the names and logos of competing carriers on the cover of the white pages directories
- ♦ Decision on remand and subsequent appeal in BellSouth Price Regulation case
- ♦ Tennessee Regulatory Authority v. Minimum Rate Pricing, Inc. (enforcement of slamming rules resulting in revocation of certificate)

Joseph T. Werner
Chief

Mission: *To provide the directors of the TRA with the detailed analysis needed to make informed decisions on issues related to the development of competitive markets and the preservation of affordable prices for telecommunications services in Tennessee.*

In 1995, the Tennessee General Assembly revised the laws for regulating telecommunications in Tennessee. A year later Congress re-wrote the Federal telecommunications laws in the first major rewrite of Federal telecommunications laws since 1934. Both the State and Federal acts introduced competition in local telephone markets, called for reduced regulation, and directed the preservation of universal telephone service. While the new laws establish the basic framework for achieving these goals, state and federal regulators, like the TRA, are responsible for adopting the rules, regulations and policies to implement the legislative framework.

With the passage of State and Federal legislation introducing local telephone competition, the role of regulators in this area has changed dramatically. Previously, the primary responsibility of telecommunications regulators was to set rates and prices based on accounting data and financial forecasts. Now, the primary focus of regulators is on developing a competitive marketplace while maintaining affordable prices. A large part of the work done by the Telecommunications Division is now dictated by the statutory requirements of the Telecommunications Act of 1996 and mandates by the Federal Communications Commission. The Telecommunications Division is now addressing such unprecedented issues as breaking down the telephone network into its individual components and pricing each component, certifying new entrants into the local telephone market, and establishing a universal service fund to maintain affordable telephone rates.

Implementing the requirements of the new laws is proving to be an arduous, yet challenging responsibility. To prepare the detailed analysis needed for the directors to make informed decisions not only requires a strong financial background but also knowledge of the telephone network. The Telecommunications Division now consists of fourteen employees including two telecommunications engineers, four CPAs, and an economist. The Telecommunications Division works in concert with the Economic Analysis and Legal Divisions in formulating recommendations on telecommunications issues before the TRA.

Tennesseans began seeing its first measurable competitive activity in local telecommunications during the fiscal year. As of June 30, 1999, forty-nine (49) facilities-based competitors are certificated to provide local telephone service, fifteen (15) of which are providing service in Tennessee. These fifteen competitors serve approximately 125,000 lines in Tennessee, primarily business customers in the State's four (4) largest metropolitan areas. This represents 4% of the total lines open to competition or 14% of the business lines open to competition. New market entrants have invested \$197 million in equipment and facilities in Tennessee since 1995. In contrast, on December 31, 1996 only six (6) facilities-based competitors were offering local telephone service in Tennessee, serving 300 lines. In 1996, competitors had invested \$56 million in equipment and facilities. Twenty-eight (28) resellers are also providing local service to 30,000 lines. The majority of those lines are residential lines in the metropolitan areas.

Like the TRA's two previous years, the 1999 fiscal year was an eventful year for the Telecommunications Division. Below is a list of the major activities of the Telecommunications Division during the fiscal year.

- ♦ **Agreements to Interconnect the Networks of New Entrants with the Networks of Existing Telephone Companies.**
 - For multiple providers of telephone services to exist, there must be compatibility between providers so that customers of the different providers may call each other. Both the State and Federal telecommunications acts require all providers of telecommunications to interconnect their facilities with the facilities of other carriers. During the fiscal year, the Telecommunications Division reviewed twenty-four (24) interconnection agreements and twenty-eight (28) reseller agreements.
- ♦ **Establishment of a Universal Service Fund**
 - Universal service is the provision of "residential basic local exchange telephone service at affordable rates" (T.C.A. § 65-5-207(a)). Encouraging competitors to serve residential customers throughout the state without raising monthly telephone rates may require a special fund to subsidize residential telephone service in high cost areas. Tennessee's Telecommunications Act gives the TRA the ability to consider such a fund, while the federal act establishes a national mechanism under the FCC, but allows states to establish their own system as well. Moving in parallel with national proceedings before the FCC, the TRA has an open docket to consider universal service funding for non-rural carriers. During the fiscal year, TRA conducted the second phase of the Universal Service proceeding. In the Phase II decision, the Authority ruled on 52 issues and sub-issues which define universal service and the parameters for identifying subsidies in existing rates. Additional decisions on universal service including rate re-balancing and access charge reform are forthcoming.
- ♦ **BellSouth Entry Into the InterLATA Long Distance Market**
 - The 1996 Federal Telecommunications Act allows the regional Bell Operating Companies (BOCs) to enter the interLATA long distance market once their networks are open to competing providers. Since the divestiture of AT&T and the Bell System in 1984, BellSouth and the other BOCs may only offer long distance within the LATA (local access transport area). The Federal Communications Commission, with input from state regulatory commissions and the Department of Justice, makes the final decision on BOC's application to enter the long distance market. During the fiscal year, the TRA conducted proceedings and collected evidence to review BellSouth's compliance with the Federal guidelines necessary to gain entry into the interLATA long distance market. At the time this proceeding was dismissed, upon request by BellSouth, the record contained 40,000 pages of evidentiary records.
- ♦ **Unbundled Network Element Pricing**
 - The Federal Telecom Act requires the Bell Operating Companies to "unbundle" their networks so that new providers can purchase network elements from the incumbent providers in order to provide competing services. During the fiscal year, the Authority issued two orders addressing numerous issues relevant to establishing prices for unbundled network elements.

♦ **Certification of Competitive Carriers**

- Analyzed and approved the application of eleven companies requesting designation as facility-based competitive local exchange carriers including certification of the State's first electric municipality (Chattanooga Electric Power Board) and an affiliate of a telephone cooperative (Ben Lomand Communications). The Telecommunications Division also reviewed sixteen (16) resellers of local telephone service and fifty-one resellers of long distance service during the fiscal year.

♦ **Price Regulation**

- The 1995 Tennessee Telecommunications Act permits incumbent telephone companies to choose a new form of regulation called "price regulation" for setting the price of its telephone services. Price regulation allows incumbents to set prices based on aggregate revenues instead of setting prices based on a forecast of the companies earnings and a fair rate of return, as is done with traditional rate of return regulation. Under price regulation, rates are set by the company, unless found to be discriminatory or anti-competitive.

The three (3) largest incumbent local exchange companies in the state, BellSouth, Sprint/United (a.k.a. United Telephone-Southeast) and Citizens, have elected price regulation. Sprint/United and Citizens were approved for price regulation in 1995 and 1996 respectively. BellSouth's application for price regulation was ultimately approved on December 9, 1998 after appeals to the State Court of Appeals and the Tennessee Supreme Court. The December 9 decision was also appealed by the Consumer Advocate Division.

♦ **Review of Contract Service Arrangements**

- One of the ways that incumbent local exchange carriers have responded to the impending local telephone competition is by offering special pricing arrangements to selected customers. These arrangements, offered to large and medium-sized business customers, provide discounted prices to customers who commit to continue using BellSouth's service for a specified period of time, typically two to four years. BellSouth has offered over 200 contract service arrangements since 1995, raising concerns over the potential impact of these contracts on the development of a competitive marketplace. A docket has been opened by the TRA to study the impact of these contract service arrangements.

♦ **Small and Minority Owned Business Plans**

- Enforced T.C.A. § 65-5-212 by collecting 399 Small and Minority Owned Business Plans from certificated providers of telecommunications services and collecting required contributions to the fund.

♦ **Petition by a Competitive Local Exchange Company to Enter the Market of a Small Incumbent Local Telephone Company**

- The Tennessee Act protects incumbent telephone companies with less than 100,000 lines from local telephone competition unless the incumbent elects to compete outside of its service area. In February 1998, Hyperion of Tennessee, a competing provider, challenged that exemption by requesting permission from the Authority to

compete for customers in the area served by Tennessee Telephone Company. Hyperion argued that the small company exemption constitutes a “barrier to entry” in violation of the federal act. Hyperion relied upon the Federal Communications Commission’s (FCC) recent preemption of similar laws in Texas and Wyoming. The TRA found, however, that the small company exemption was essential to preserve universal service and is consistent with the federal act. On May 27, 1999, the FCC preempted the Authority’s decision finding that the state statute was not “competitively neutral” and thus violates the Federal Telecommunications Act. The TRA has petitioned the FCC to reconsider its preemption where a decision is pending.

♦ **Tariff Review**

- Reviewed 374 tariff filings by telecommunications companies to introduce new services or to revise the rates, terms and conditions of existing services.

♦ **Pay Telephone Certification**

- Registered 2908 payphones and 43 payphone providers during the fiscal year.

Competitive Local Exchange Companies Certified by the TRA (As of October 31, 1999)

- | | |
|--|---|
| ♦ ACI Corporation | ♦ Interpath Communications, Inc. |
| ♦ Aeneas Communications | ♦ KMC Telecom III, Inc. |
| ♦ ALEC, Inc. | ♦ LCI International Telecom Corp. |
| ♦ Alltel Communications, Inc. | ♦ Level 3 Communications |
| ♦ AT&T Communications | ♦ LoadPoint Telecommunications |
| ♦ BellSouth BSE, Inc. | ♦ Logix Communications Corp. |
| ♦ Ben Lomand Communications, Inc. | ♦ MFS Intelenet of Tennessee, Inc. |
| ♦ BlueStar Networks, Inc. | ♦ MCIMetro Access Transmission Services |
| ♦ Brooks Fiber Communications of TN | ♦ Metropolitan Fiber Systems of Tennessee |
| ♦ BTI Communications, Inc. | ♦ NA Communications, Inc. |
| ♦ Citizens Communications Company | ♦ Network Plus, Inc. |
| ♦ Comm. Depot, Inc. | ♦ New South Communications |
| ♦ Computer Business Sciences, Inc. | ♦ NEXTLINK Tennessee, Inc. |
| ♦ DeltaCom, Inc. | ♦ PV Tel of Tennessee |
| ♦ Digital Teleport, Inc. | ♦ SouthEast Telephone |
| ♦ DSL Net Communications | ♦ Sprint Communications Company |
| ♦ Electric Power Board of Chattanooga | ♦ TCG MidSouth |
| ♦ e.spire Communications, Inc. | ♦ Teligent, Inc. |
| ♦ Frontier Local Services, Inc. | ♦ Time Warner Communications |
| ♦ Global NAPS Gulf, Inc. | ♦ US LEC of Tennessee, Inc. |
| ♦ GTE Communications Corp. | ♦ US West Interprise America, Inc. |
| ♦ Hyperion Communications of Tennessee | ♦ Williams Communications, Inc. |
| ♦ Hyperion of Tennessee (AVR) | ♦ WinStar Communications of TN, Inc. |
| ♦ ICG Telecom Group, Inc. | ♦ Worldcom Technologies, Inc. |
| ♦ Intermedia Communications | |

Pertinent Data As of 6/30/99

Telecommunication Services Providers

-Incumbent Local Exchange Carriers.....	18
-Competitive Local Exchange Carriers (Facilities Based)	44
-Telephone Cooperatives (Not regulated by the TRA)	9
-Local Service Resellers	72
-Facility-Based Long Distance Companies	4
-Long Distance Resellers.....	415
-Approved Interconnection Agreements Between Competitive Local Exchange and Incumbent Carriers.....	24
-Approved Agreements between Local Resellers and Incumbent Providers	68



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